

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>BATA</b>		County <b>Grand Traverse</b>	
Audit Date <b>9/30/04</b>		Opinion Date <b>2/2/05</b>		Date Accountant Report Submitted to State: <b>3/23/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

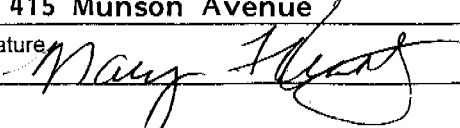
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		X	
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) <b>Dennis, Gartland &amp; Niergarth, P.C.</b>			
Street Address <b>415 Munson Avenue</b>		City <b>Traverse City</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49686</b>	

**BATA**

**FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

September 30, 2004

## CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	2
FINANCIAL STATEMENTS	
BALANCE SHEET - PROPRIETARY FUND.....	4
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND.....	5
STATEMENT OF CASH FLOWS - PROPRIETARY FUND.....	6
NOTES TO FINANCIAL STATEMENTS.....	7
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - OPERATING REVENUES.....	14
SCHEDULE 2 - OPERATING EXPENSES.....	15
SCHEDULE 3 - NON-OPERATING REVENUES.....	16
SCHEDULE 4 - EXPENSES BY CONTRACT AND GENERAL OPERATIONS.....	17
SCHEDULE 5 - NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS.....	18
SCHEDULE 6 - DETAILS OF INELIGIBLE EXPENSES.....	19
SCHEDULE 7 - STATEMENT OF CAPITAL CONTRIBUTIONS - GRANTS.....	20
SCHEDULE 8 - VEHICLE HOURS AND PASSENGERS AND MILEAGE DATA.....	21
FEDERAL AND STATE PROGRAM REPORTS	
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS.....	23
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS.....	24
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i> .....	25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	27
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	28



DENNIS, GARTLAND & NIERGARTH P.C.

Business and Financial Advisors  
*Our clients' success – our business*

Thomas E. Gartland, CPA  
Brad P. Niergarth, CPA  
James G. Shumate, CPA  
Robert C. Thompson, CPA  
Michael D. Shaw, CPA  
Mary F. Krantz, CPA

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Authority Board  
BATA

We have audited the basic financial statements of **BATA** as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of BATA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of BATA as of September 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BATA has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 14 - 20 and the Schedule of Expenditures of Federal Awards on page 23, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements of BATA. Such information has been subjected to the auditing procedures applied during the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Member of



415 Munson Avenue, Post Office Box 947  
Traverse City, Michigan 49685-0947  
231.946.1722, FAX: 231.946.2762  
[www.dgncpa.com](http://www.dgncpa.com)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2005 on our consideration of BATA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the year ended September 30, 2004 appear on page 21. This supplemental information was not audited by us and, accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

*Dennis, Gartland & Niergarth, P.C.*

February 2, 2005

# BATA

## BALANCE SHEET - PROPRIETARY FUND

September 30, 2004

### ASSETS

#### CURRENT ASSETS

Cash	\$ 182,914
Accounts receivable	125,794
Grants receivable	
State	309,563
Federal	<u>1,108,300</u>

Total current assets 1,726,571

**PROPERTY, VEHICLES AND EQUIPMENT, net** 3,220,143

Total assets \$ 4,946,714

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Notes payable to bank	\$ 1,350,586
Accounts payable	230,188
Accrued expenses	164,354
Accrued insurance	97,027
Deferred income	<u>1,810</u>

Total current liabilities 1,843,965

**LONG-TERM DEBT - Accrued insurance** 158,034

Total liabilities 2,001,999

#### NET ASSETS

Invested in capital assets, net of related debt	3,220,143
Restricted for new services	257,842
Unrestricted	<u>(533,270)</u>

Total net assets 2,944,715

Total liabilities and net assets \$ 4,946,714

# **BATA**

## **STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND**

For the year ended September 30, 2004

Operating revenues (Schedule 1)	\$ 561,687
Operating expenses (Schedule 2)	<u>4,992,931</u>
Total operating loss	<u>(4,431,244)</u>
Non-operating revenues (Schedule 3)	4,179,133
Non-operating expenses (Schedule 4)	<u>47,262</u>
Total non-operating income	<u>4,131,871</u>
Net loss before capital contributions	(299,373)
Capital contributions - grants (Schedule 7)	<u>2,057,035</u>
<b>INCREASE IN NET ASSETS</b>	1,757,662
Net assets, beginning of year	<u>1,187,053</u>
Net assets, end of year	<u><u>\$ 2,944,715</u></u>

The accompanying notes are an integral part of these financial statements.

# BATA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the year ended September 30, 2004

### Operating activities

Cash received from customers	\$ 608,013
Cash payments to suppliers and employers	<u>(4,301,551)</u>
Net cash used by operating activities	<u>(3,693,538)</u>

### Capital and related financing activities

Federal capital grant	717,323
Acquisition of property and equipment	(987,303)
Repayment of debt	(99,414)
Interest paid	<u>(6,160)</u>
Net cash used by capital and related financing activities	<u>(375,554)</u>

### Noncapital financing activities

Federal, State, local grants and property taxes	4,032,416
Other non-operating revenues	66,054
Non-operating expenses paid	<u>(47,262)</u>
Net cash provided by noncapital financing activities	<u>4,051,208</u>

**NET DECREASE IN CASH** (17,884)

Balance of cash, beginning of year 200,798

Balance of cash, end of year \$ 182,914

### Schedules of non-cash investing/financing transactions

Purchase of land financed with note payable \$ 1,250,000

# BATA

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The Bay Area Transportation Authority ("BATA") was created February 1, 1985, pursuant to the Urban Cooperation Act P.A. No. 7 of 1967 to provide public transportation to the general public in non-urbanized areas including the City of Traverse City, Leelanau County and the Grand Traverse County townships of Long Lake, Peninsula, Garfield, East Bay, Acme, Whitewater, Green Lake and Blair. As of July 17, 1997, the name of the corporation became BATA and is hereinafter referred to as "BATA." BATA, created under the new Articles of Incorporation, is a new and successor organization pursuant to the Public Transportation Authority Act of 1986 P.A. 196. Funding is provided by grants under Act 51 of Public Acts of 1951, as amended, and Section 18 of the Mass Transportation Act of 1964. On March 27, 1998, the BATA Board amended the Articles of Incorporation to provide for the membership to be Grand Traverse and Leelanau Counties and, at that time, the City of Traverse City and the townships resigned.

The accounting policies of BATA conform to generally accepted accounting principles as applicable to governmental units. The accounting and reporting framework and the more significant accounting principles and practices of BATA are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of BATA's financial activities for the fiscal year ended September 30, 2004.

#### ***The Financial Reporting Entity***

BATA's financial statements include the accounts of all BATA operations. In evaluating BATA as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which BATA may or may not be financially accountable and, as such, be includable within BATA's financial statements. In accordance with GASB Statement No. 14, BATA is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on BATA. Additionally, BATA is required to consider other organizations for which the nature and significance of their relationship with BATA are such that exclusion would cause BATA's financial statements to be misleading or incomplete.

Based on this criteria, management has not identified any potential component units requiring consideration for inclusion in BATA's financial statements.

#### ***Adoption of New Accounting Standards***

During the fiscal year 2004, BATA partially adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, issued June 2001, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, issued in 2001. These statements require BATA to prepare Management's Discussion and Analysis, make some changes to the notes to financial statements and change the presentation of net assets.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Basis of Accounting***

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

BATA's proprietary fund applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as following all Financial Accounting Standards Board ("FASB") pronouncements issued through November 30, 1989 except for those that conflict with or contradict GASB pronouncements. BATA's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

### ***Enterprise Fund Accounting***

BATA is accounted for as an enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. Their reported net assets is segregated into invested in capital assets, net of related debt, and restricted and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

### ***Cash***

For purposes of the statement of cash flows, BATA considers cash on hand, demand deposits and short-term investments in investment pools and government money market funds with maturities of three months or less when purchased to be cash.

### ***Fixed Assets and Depreciation***

Property and equipment are stated at cost or fair market value at date of acquisition. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. A provision for depreciation has been established on a straight line basis using 5 to 20 year useful lives.

### ***Net Assets***

A portion of BATA's tax levy is restricted for the development and provision of new services. Accordingly, a portion of net assets is restricted, representing unspent tax monies relative to new services.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Operating Revenues***

BATA's operating revenues are tied to its primary purpose of providing public transportation to the general public in Grand Traverse/Leelanau counties. Grants received to help finance operations are classified as non-operating revenues in accordance with GASB 34.

### ***Grants***

BATA receives two distinct types of grants from governmental agencies:

- Operating grants are used to fund BATA's day-to-day operations and to meet normal expenses of those operations.
- Capital grants are used for capital expenditures.

### ***Allowance for Doubtful Accounts***

No allowance for doubtful accounts was considered necessary based upon the favorable collection history and current analysis of receivables of BATA.

### ***Property Taxes***

Property taxes levied by BATA are collected by various municipalities and periodically remitted to BATA. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. After February 14, the bills become delinquent and penalties and interest may be assessed by the collecting entity. Property tax revenues are recognized when levied.

Property taxes uncollected after one year are written off. For the year ended September 30, 2004, BATA levied .25 mills for operations and .10 mills for new services per \$1,000 of assessed valuation.

### ***Compensated Absences***

Vacation and sick pay are recorded as an expenditure at the time the benefit is earned by the employee, taking into consideration maximum contractual amounts.

### ***Cost Allocation Plan***

BATA has received approval of a cost allocation plan for Project Zero Grants.

### ***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE B - CASH

All cash of BATA is on deposit with financial institutions which provide FDIC insurance coverage. The carrying amount of BATA's deposits as of September 30, 2004 was \$182,914, and the bank balance was \$203,524, of which \$100,000 was insured by the FDIC.

### NOTE C - PROPERTY, VEHICLES AND EQUIPMENT

Major classes of property and equipment consisted of the following at September 30, 2004:

Land	\$ 1,494,788
Shop equipment	111,642
Operating equipment	548,653
Vehicles	2,986,486
Office equipment and furniture	225,560
Building	<u>1,068,694</u>
	6,435,823
Less accumulated depreciation	<u>(3,215,680)</u>
	<u><u>\$ 3,220,143</u></u>

Total depreciation expense for the year ended September 30, 2004 was \$302,530.

Substantially all fixed assets have been contributed by the State of Michigan. When fixed assets have lost their utility, the assets must either be returned to the State or proceeds from the sale thereof must be turned over to the State.

### NOTE D - NOTES PAYABLE TO BANK

Note payable to a bank; payable in monthly installments of \$11,550; bearing interest at 0.25% below prime; maturity June 2005. The loan is collateralized by specific vehicles.	\$ 100,586
Draw note payable to a bank; interest payable in monthly installments at .75% below prime; maturity May 2005. The loan is secured by specific property.	<u>1,250,000</u>
	<u><u>\$ 1,350,586</u></u>

Interest expense for the year ended September 30, 2004 was \$6,160.

## NOTES TO FINANCIAL STATEMENTS - Continued

The annual requirement to amortize general obligation debt outstanding at September 30, 2004 is as follows:

<u>Years Ending, September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,350,586	\$ 15,585	\$ 1,366,171

### NOTE E - INSURANCE POOL

During the year ended September 30, 1988, BATA and 18 other transportation authorities formed the Michigan Transit Pool ("MTP"). There are two insurance programs offered by MTP. BATA participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to BATA's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund, providing general liability coverage. The Direct Property Damage Program provides for \$24.5 million excess above \$2.5 million retention per individual occurrence, whereas, the Liability Trust Fund provides for up to \$4 million of coverage per occurrence.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value, divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

Each authority contributes to the Liability Trust Fund an annual premium which is actuarially determined based upon BATA's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, BATA also contributed to the contingency reserve of the pool, which was intended to be a one-time payment. Claims less than \$50,000 are deducted directly from the applicable authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all authorities participate. Each authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from BATA, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

Expenses for the year ended September 30, 2004, includes a retrospective rate increase of \$291,079; \$36,018 of this liability was paid during fiscal year 2004. The remaining liability of \$255,061 is reported as a payable and is due as follows:

December 1, 2004	\$ 97,026
December 1, 2005	97,026
December 1, 2006	<u>61,009</u>
	<u>\$ 255,061</u>

## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE F - 401(k) RETIREMENT PLAN

BATA participates in a 401(k) retirement plan ("Plan") covering all its employees. Total covered payroll for the current year was \$2,439,668. Employees are required to contribute 1.5% of gross payroll at a minimum and are eligible for an additional employer contribution equal to 7.0% of contributing employees' gross payroll. Employees are vested 100% immediately in all contributions made to the Plan. Employer contributions for the year ended September 30, 2004, 2003 and 2002 amounted to \$172,301, \$153,196 and \$167,808, respectively.

The Plan assets are not invested in any securities of BATA nor are there any loans from the Plan to BATA.

### NOTE G - SELF-INSURED HEALTH BENEFITS

BATA self-insures certain dental benefits for its employees which, in the aggregate, has minimal financial exposure. The maximum expense is \$800 per year, per employee.

### NOTE H - CONTINGENT LIABILITIES

BATA participates in a number of State and Federally assisted grant programs which are subject to program compliance audits by the grantors. The audits of these programs for the years ended September 30, 2002-2004 have not been conducted. Accordingly, BATA's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time, although BATA expects such amounts, if any, to be immaterial.

### NOTE I - STATEMENT OF CASH FLOWS

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (4,431,244)
Add depreciation expense not requiring outlay of cash	302,530
Add contributed services not requiring outlay of cash	60,444
Add interest paid	6,160
Change in receivables	45,966
Change in prepaid expenses	5,473
Change in accounts payable	310,689
Change in accrued expenses	6,084
Change in deferred revenue	<u>360</u>
Net cash used by operating activities	<u>\$ (3,693,538)</u>

## **SUPPLEMENTAL INFORMATION**

**BATA****SCHEDULE OF OPERATING REVENUES**

For the year ended September 30, 2004

Operating revenues	
Passenger fares	\$ 194,553
Special transit fees	364,728
Freight tariffs	<u>2,406</u>
Total operating revenues	<u>\$ 561,687</u>

## BATA

## SCHEDULE OF OPERATING EXPENSES

For the year ended September 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General and Administrative</u>	<u>Total System</u>
Operating expenses				
Labor				
Operators' salaries and wages	\$ 1,751,753	\$ -	\$ -	\$ 1,751,753
Other salaries and wages	189,673	219,530	274,435	683,638
Fringe benefits	414,000	85,617	162,451	662,068
Other services	16,675	201,588	104,083	322,346
Materials and supplies consumed				
Fuels and lubricants	241,721	-	-	241,721
Other materials and supplies	29,370	215,857	24,141	269,368
Utilities				
Other	10,066	1,931	18,433	30,430
Telephone	-	-	30,392	30,392
Casualty and liability cost				
Premiums for public liability and property damage insurance	430,987	-	-	430,987
Other insurance	-	-	24,438	24,438
Purchased transportation	31,176	-	-	31,176
Miscellaneous expenses				
Travel and meetings	-	99	19,266	19,365
Other miscellaneous expense	16,475	390	134,914	151,779
Advertising and promotion media	-	390	427	817
Leases and rentals	12,090	470	21,403	33,963
Interest expense	-	-	6,160	6,160
Depreciation	<u>229,121</u>	<u>-</u>	<u>73,409</u>	<u>302,530</u>
Total operating expenses	<u>\$ 3,373,107</u>	<u>\$ 725,872</u>	<u>\$ 893,952</u>	<u>\$ 4,992,931</u>

## BATA

## SCHEDULE OF NON-OPERATING REVENUES

For the year ended September 30, 2004

State of Michigan operating grants	
State operating	\$ 1,983,540
Project Zero	40,000
Adjustments to prior year contracts	<u>(95,350)</u>
Total State of Michigan operating grants	<u>1,928,190</u>
Federal operating grants	
U.S. D.O.T. grants - Section 5311	
Contract 00-0012 - operating assistance	514,057
Adjustments to prior year contracts	<u>(1,132)</u>
Total Federal operating grants	<u>512,925</u>
Property tax revenues	<u>1,611,522</u>
Other non-operating income	
Interest income	2,656
Commissions	41,019
Contributed services	60,442
State support TCAPS	10,101
Miscellaneous income	<u>12,278</u>
Total other non-operating income	<u>126,496</u>
Total non-operating revenues	<u>\$ 4,179,133</u>

**BATA****SCHEDULE OF EXPENSES BY CONTRACT  
AND GENERAL OPERATIONS**

For the year ended September 30, 2004

	Total Operating System	Total Non-operating System*	Total
Expenses			
Labor	\$ 2,435,391	\$ 28,780	\$ 2,464,171
Fringe benefits	662,068	7,140	669,208
Services	322,346	10,101	332,447
Materials and supplies	511,089	-	511,089
Utilities	60,822	1,241	62,063
Casualty and liability costs	455,425	-	455,425
Advertising and promotion	817	-	817
Leases and rentals	33,963	-	33,963
Interest expense	6,160	-	6,160
Depreciation	302,530	-	302,530
Purchased transportation	31,176	-	31,176
Miscellaneous	<u>171,144</u>	<u>-</u>	<u>171,144</u>
Subtotal	4,992,931	47,262	5,040,193
Less ineligible expenses	<u>343,200</u>	<u>-</u>	<u>343,200</u>
Total eligible expenses	<u>\$ 4,649,731</u>	<u>\$ 47,262</u>	<u>\$ 4,696,993</u>

\* Greyhound commission expenses and other services.

## BATA

SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS  
OF GENERAL OPERATIONS

For the year ended September 30, 2004

	Contract Number 02-0012	State Operating Assistance
Expenses		
Labor	\$ 2,464,171	\$ 2,464,171
Fringe benefits	669,208	669,208
Services	332,447	332,447
Materials and supplies	511,089	511,089
Utilities	62,063	62,063
Casualty and liability costs	455,425	455,425
Advertising and promotion	817	817
Leases and rentals	33,963	33,963
Interest expense	6,160	6,160
Depreciation	302,530	302,530
Purchased transportation	31,176	31,176
Miscellaneous	<u>171,144</u>	<u>171,144</u>
Total expenses	<u>5,040,193</u>	<u>5,040,193</u>
Less ineligible expenses		
Interest expense	6,160	6,160
Depreciation	286,579	286,579
Dues	360	360
Project Zero/Job Access	40,000	40,000
Services	<u>10,101</u>	<u>10,101</u>
Total ineligible expenses	<u>343,200</u>	<u>343,200</u>
Less incidental revenue	<u>2,406</u>	<u>-</u>
Net eligible expenses	<u>\$ 4,694,587</u>	<u>\$ 4,696,993</u>
Maximum Section 5311 reimbursement (10.95%)	<u>\$ 514,057</u>	
Maximum for State operating assistance 42.23% of eligible costs		<u>\$ 1,983,540</u>

**BATA****SCHEDULE OF DETAILS OF INELIGIBLE EXPENSES**

For the year ended September 30, 2004

Interest expense	\$ 6,160
Depreciation	
Depreciation accrued on assets purchased with grant funds are ineligible	286,579
MPTA dues	
A portion of MPTA dues is ineligible and, accordingly, has been excluded from eligible expenses. For 2004 and 2003, 7.4% and 8.1%, respectively, has been determined to be ineligible	360
Project Zero	40,000
Services	<u>10,101</u>
Total ineligible expenses	<u>\$ 343,200</u>

**BATA****STATEMENT OF CAPITAL CONTRIBUTIONS - GRANTS**

For the year ended September 30, 2004

## Grants received

Contract 1999-0404	\$ 2,325
Contract 02-0012/Z3	40,298
Contract 02-0012/Z5	57,487
Contract 02-0012/Z7	297,732
Contract 02-0012/Z11	331,146
Contract 02-012/Z17	1,293,190
Contract 2001-0899	<u>34,857</u>

Total capital contributions - grants	<u>\$ 2,057,035</u>
--------------------------------------	---------------------

**BATA****SCHEDULE OF VEHICLE HOURS AND PASSENGERS**

For the year ended September 30, 2004

	Vehicle Hours	Passengers			Total Passengers
		Regular Passengers	Senior Passengers	Handicapped Passengers	
First quarter	28,942	36,642	15,925	42,080	94,647
Second quarter	31,587	42,128	16,824	42,709	101,661
Third quarter	31,700	33,917	18,621	47,006	99,544
Fourth quarter	<u>33,196</u>	<u>32,016</u>	<u>19,159</u>	<u>49,796</u>	<u>100,971</u>
Total	<u>125,425</u>	<u>144,703</u>	<u>70,529</u>	<u>181,591</u>	<u>396,823</u>

**MILEAGE DATA**

For the year ended September 30, 2004

	Public Transportation Mileage
Demand-response	
First quarter	376,612
Second quarter	406,359
Third quarter	422,291
Fourth quarter	<u>442,178</u>
Total demand-response	<u>1,647,440</u>

**FEDERAL AND STATE PROGRAM REPORTS**

# BATA

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Accrued (Deferred) Revenue 10/01/03	Prior Year Expenditures	Grant Expenditures	Current Year Receipts	BATA and Audit Adjustment	Accrued (Deferred) Revenues 09/30/04
United States Department of Transportation Passed through Michigan Department of Transportation Section 5311 Operating Assistance								
	96-1085	20.509	\$ 173	\$ -	\$ -	\$ -	(173)	\$ -
	98-0158		(2,779)	-	-	-	2,779	-
	99-0045		1,179	-	-	-	(1,179)	-
	99-0987		2,559	-	-	-	(2,559)	-
	01-0010		24,983	3,969	-	24,983	-	-
	02-0012		(218)	-	-	-	-	(218)
	02-0012/Z9		12,698	425,214	-	-	-	12,698
	02-0012/Z14		-	-	514,057	490,007	-	24,050
	2000-0388		3,055	3,055	-	3,055	-	-
	02-0012/Z3		5,762	5,762	32,238	23,820	-	14,180
	99-0404		-	-	1,860	1,860	-	-
	01-0899		-	-	27,886	4,848	-	23,038
	02-0012/Z5		-	-	45,990	45,990	-	-
	02-0012/Z7		-	-	238,186	238,186	-	-
	02-0012/Z11		-	-	264,917	264,917	-	-
	02-0012/Z17		-	-	1,034,552	-	-	1,034,552
Total Federal financial assistance			\$ 47,412	\$ 438,000	\$ 2,159,686	\$ 1,097,666	\$ (1,132)	\$ 1,108,300
Operating Assistance								
Act 51 96-97	N/A		\$ 15,113	\$ -	\$ -	\$ -	(15,113)	\$ -
Act 51 97-98	N/A		(1,944)	-	-	-	1,944	-
Act 51 98-99	N/A		16,589	-	-	-	(16,589)	-
Act 51 99-00	N/A		23,366	-	-	-	(23,366)	-
Act 51 99-00	N/A		16,956	-	-	-	(16,956)	-
Act 51 01-02	N/A		(83,221)	(32,611)	-	-	83,221	-
Act 51 02-03	N/A		2,925	1,703,419	-	-	-	2,925
Act 51 03-04	N/A		-	-	1,983,539	1,952,343	-	31,196
Section 5311	N/A		764	764	-	764	-	-
Section 5311	N/A		1,440	1,440	8,060	5,955	-	3,545
Section 5311	N/A		-	-	465	465	-	-
Section 5311	N/A		-	-	6,971	1,212	-	5,759
Section 5313(b)	N/A		-	-	11,497	11,497	-	-
Section 5309	N/A		-	-	59,546	59,546	-	-
Section 5309	N/A		-	-	66,229	66,229	-	-
Section 5309	N/A		-	-	258,638	-	-	258,638
Coordination study	N/A		2,946	59,778	10,101	13,047	-	-
Project Zero	N/A		15,584	82,947	40,000	48,084	-	7,500
Total State financial assistance			\$ 10,518	\$ 1,815,737	\$ 2,445,046	\$ 2,159,142	\$ 13,141	\$ 309,563

## BATA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

September 30, 2004

- Note 1**      The Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis of accounting
- Note 2**      Management has reported that expenditures in this Schedule of Expenditures of Federal and State Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3**      The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the general purpose financial statements have been prepared. Grant receipts are reported on the Schedule of Expenditures of Federal and State Awards, as passed through the Michigan Department of Transportation.
- Note 4**      A reconciliation of expenditures on the Schedule of Expenditures of Federal and State Awards sources reported on the financial statements are as follows:

Federal expenditures per Schedule of Expenditures of Federal and State Awards	\$ 2,159,686
Capital contracts reported as contributed capital	(1,645,629)
Adjustments to prior year contracts	<u>(1,132)</u>
 Federal sources per general purpose financial statements.	 <u>\$ 512,925</u>



DENNIS, GARTLAND & NIERGARTH P.C.

Business and Financial Advisors  
*Our clients' success – our business*

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Brad P. Niergarth, CPA  
James G. Shumate, CPA  
Robert C. Thompson, CPA  
Michael D. Shaw, CPA  
Mary F. Krantz, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Authority Board  
BATA

***Compliance***

We have audited the compliance of **BATA** with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2004. BATA's major Federal programs are identified in the summary of auditors results section of the accompanying schedule of fundings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of BATA's management. Our responsibility is to express an opinion on BATA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about BATA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on BATA's compliance with those requirements.

In our opinion, BATA complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2004.

***Internal Control Over Compliance***

The management of BATA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered BATA's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Member of



415 Munson Avenue, Post Office Box 947  
Traverse City, Michigan 49685-0947  
231.946.1722, FAX: 231.946.2762  
[www.dgncpa.com](http://www.dgncpa.com)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, that would be material in relation to a major Federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider necessary to be material weaknesses.

This report is intended solely for the information and use of the Board members, management, Michigan Department of Transportation, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis, Gartland & Niergarth, P.C.*

February 2, 2005

# **BATA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

September 30, 2004

### **Current Year**

#### ***Section 1 - Summary of Auditor's Results***

1. The audit report on BATA's financial statements was unqualified.
2. There were no reportable conditions in internal control reported as a result of the audit of the general purpose financial statements.
3. There were no compliance findings disclosed that were material to BATA's financial statements.
4. There were no reportable conditions disclosed that were related to a major program.
5. The report over compliance for major programs was unqualified.
6. There were no audit findings that are required to be reported.
7. BATA's major programs are the Section 5311 and Section 5309 programs under CFDA No. 20.509 and 20.500, respectively.
8. The dollar threshold for distinguishing between Type A and Type B programs was \$300,000.

#### ***Section 2 - Findings in Accordance with Generally Accepted Government Auditing Standards.***

No findings.

#### ***Section 3 - Current Year Findings and Questioned Costs in Accordance with OMB Circular A-133.***

No findings.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Authority Board  
BATA

We have audited the financial statements of **BATA** as of and for the year ended September 30, 2004 and have issued our report thereon dated February 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether BATA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered BATA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the BATA Board, management, Michigan Department of Transportation, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis, Gartland & Niergarth, P.C.*

February 2, 2005

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